

**MONITORING, VERIFICATION AND EVALUATION UNIT  
AGRICULTURAL POLICY REFORM PROGRAM**

**TARIFF AND NON-TARIFF BARRIERS ON EXPORTS AND IMPORTS  
OF COTTON PRODUCTS**

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Verification Report No. 2

October, 1997

**Sponsored by:**

**Government of Egypt, Ministry of Agriculture and Land Reclamation**

**United States Agency for International Development/Cairo**

**Office of Economic Growth, Agricultural Policy Division**

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USAID Award 263-C-00-97-00003-00

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## LIST OF ACRONYMS

ALCOTEXA	Alexandria Cotton Exporters Association
APCP	Agriculture Production and Credit Project
APRP	Agricultural Policy Reform Project
CAPQ	Central Administration for Plant Quarantine
CATGO	Cotton Arbitration and Testing General Organization
Co.	Company
GOCEI	General Organization for Controlling Exports and Imports
GOE	Government of Egypt
GTZ	Deutsche Gesellschaft fuer Technische Zusammenarbeit
LE	Egyptian Pounds
MALR	Ministry of Agriculture and Land Reclamation
MEFT	Ministry of Economy and Foreign Trade
MEIC	Ministry of Economy and International Cooperation
Mfin	Ministry of Finance
MIMW	Ministry of Industry & Mineral Wealth
MPE	Ministry of Public Enterprises
MTS	Ministry of Trade and Supply
MVE	Monitoring , Verification, and Evaluation Unit
PSDP	Private Sector Development Program
RDI	Reform, Design & Implementation Unit
TCF	Textile Consolidation Fund
USAID	United States Agency for International Development
WTO	World Trade Organization

## **PREFACE**

This study is one of a series of studies carried out in the process of verifying the Government of Egypt's accomplishment of various policy benchmarks under the Agricultural Policy Reform Program, tranche I. The material in this report was prepared so that it could be edited and incorporated directly into the Tranche I Verification Report. Because of the purpose of the study, its focus is quite narrow. It does not attempt to be a comprehensive analysis of the topics mentioned, but rather to fulfill the purpose defined by the content of the benchmark(s). The MVE Unit publishes these reports in the spirit of encouraging a broader and lively discussion of important policy questions facing the agricultural sector decision makers.

The MVE unit would like to thank the author(s) of the study for the insights they provided through their analysis, which was accomplished in an extremely short period of time. Our appreciation is also extended to those in the public and private sectors who provided information and other assistance to the authors.

Dr. John Holtzman of the MVE Unit managed the work of the two consultant authors. He also provided extensive comments on earlier drafts and helped put the document in final form. Earlier interviews by John Holtzman, Ronald Krenz, Adel Mostafa, and Abdul-Rahim Ismail provided much of the raw material for this report. Yvonne Azer provided expert document production and formatting assistance, which was essential in finalizing the paper.

## **EXECUTIVE SUMMARY**

The Government of Egypt started liberalizing the marketing of cotton in 1993/94.

In 1994 three laws were passed to liberalize the cotton trade. Law 141 established the cotton spot market in Mina El Bassal in Alexandria. Law 210 permits cotton producers to sell cotton to licensed traders. Law 211 defines the guidelines for the cotton Exporters Association.

According to Law 211, cotton exporting is limited to members of ALCOTEXA, and all export transactions must be approved by this Association.

The lint cotton spot market in Alexandria has had no price setting function to start operation, as the floor prices of cotton have been set by the government, and the cotton export prices have been set by ALCOTEXA for all of the three seasons 1994/95, 1995/96 and 1996/97. Also government floor prices for the coming season, which are expected to continue being higher than world prices, have already been announced. It is not to expected that the spot market will start operating next season.

Importation of cotton lint in commercial quantities was prohibited by Ministry of Agriculture Order 54/1967 from 1967 to 1995. During this period of time, cotton could only be imported by the GOE for governmental and public sector companies. Starting in 1995/96 the door was open to private sector companies to import cotton lint. Only small quantities of about 400,000 kentars were imported in 1995/96.

In the spring of 1996 the GOE announced a policy to facilitate imports of cotton from producing countries throughout the world if phytosanitary conditions are met.

During the 1996/97 season, due to the abundant supply of Egyptian cotton and the problem of excess cotton carryover, the public sector companies found no need to import cotton for the 1996/97 season. All domestic mill requirements were covered by Egyptian cotton. Also private sector companies were not interested in importing cotton this season (1996/97), since the domestic supplies were adequate and the price difference between the imported cotton and the domestic cotton was not large enough to induce imports. In 1996 - 1997 some private companies imported small quantities of cotton from Syria and Sudan.

Through phytosanitary regulations the GOE is protecting Egyptian cotton from accidental importation of pests and unknown diseases to Egypt such as the boll weevil. Importation of lint cotton is free from any country according to MALR Phytosanitary regulations with no quotas. Imported lint can be processed in any spinning mill in the country.

Cotton trade is legally liberalized. The government interference in cotton prices (the high floor prices and fixing of minimum export prices) does constrain the participation and the performance of the private sector in the internal and external trade of cotton. Most of the private firms are in favor of free market prices.

Officials of the Ministry of Trade and Supply said that any trader has the choice and freedom

to buy cotton from any seller. The Ministry is encouraging export, and supplies the traders and spinners with cotton lint at export prices minus fob costs. They added that in the coming season the government will facilitate the participation of the private sector in the cotton trade and there will be better regulations for exporters. The main problem facing exporters is the high floor prices.

A private sector company requires a license from the Government to import lint cotton. The public sector company has to obtain permission of the holding company, in addition to the MALR license, to import cotton. Other than that, there are no restrictions against importing lint cotton.

Interviewed spinners said that they are free to import lint cotton from any country they want to, if it meets the MALR regulations, but they prefer to use Egyptian cottons like Giza 80 or Giza 83 as Egyptian cotton this year is priced relatively low compared to the previous season. Egyptian lint cotton to the domestic spinning mills in 1996/97 season is priced at 10% - 20% below the prices of 1995/96 season.

Government regulation on imports of lint cotton have finally been relaxed; any trader or spinning mill is free to obtain a license to import cotton. Spinners will import cotton if the costs of importing are less than domestic prices.

Setting minimum export prices for yarn and woven fabric is the main function of the Textile Consolidation Fund (TCF). The minimum export prices, set by TCF committee, are applicable for all exporters of the public sector and the private sector for each count of yarn and each type of woven fabric.

Minimum export prices are normally established, updated and revised regularly on the basis of costs of production, and announced twice a year in March and in September. Price setting also depends in part on the state of domestic and international markets. At present the prices for export and the domestic prices are the same. TCF officials said that the system of minimum prices protects the smaller producer and helps avoid charges of dumping.

Some private sector managers complained that the minimum export price system hinders their marketing operations, as they could exceed this price with high quality products or through favorable payment terms. Any price setting is not part of a free market system. This system appears to be an attempt to protect high cost operations and helps avoid dumping charges by importers.

The price system for cotton fabrics in Egypt is non-functional. Improving the price signals is necessary for liberalizing the cotton market, for improving the efficiency of the industry, and for raising exports of cotton fabrics.

Interviews with cotton trading companies showed that some have difficulties with fumigation at the source country if that country has no fumigation facilities. For example, some CIS countries have no ports or fumigation facilities.

## **1. INTRODUCTION**

### **1.1 Objective**

The objective of this study is to verify the Government of Egypt's (GOE) accomplishment of the following policy benchmarks related to cotton trade under the Agricultural Policy Reform Program (APRP).

**1.A.1.f. (By the end of March 1995,) all non-phytosanitary restrictions on imports of cotton will be eliminated.**

**1.A.2.b. No GOE market restrictions will constrain private entities' involvement in cotton domestic marketing, ginning, exporting and importing.**

**1.A.4. Eliminate minimum export prices for yarn and woven fabrics.**

**1.A.5. Allow private traders to freely import cotton at "border" prices, subject to the phytosanitary requirements.**

These benchmarks are interrelated and were verified using rapid appraisal methods.

### **1.2 Interpretation of Benchmarks**

In Tranche I of APRP, it was necessary to conduct meetings with the concerned parties (GOE and USAID) to arrive at mutually acceptable interpretations of the benchmarks. The interpretations arrived at are the following:

**1.A.1.f.** Non-phytosanitary quantitative restrictions on imports are quotas and bans. Prohibitive tariffs are also included in the intent of this benchmark.

**1.A.2.b.** This benchmark is a repetition of the enabling actions that are stated in benchmarks 1.a-1.f. It specifies that the enabling decrees, laws, and/or regulations are in place to allow the private sector to trade in cotton, both domestically and internationally, and to gin its cotton on equal terms with public enterprises. Eligible private entities means private individuals or companies who meet the requirements of Decree 389 of 1994 (MEFT).

**1.A.4.** The intention of this benchmark is generally clear as stated. The benchmark includes only pure cotton yarn and woven fabrics, not cotton/polyester blends.

**1.A.5.** This benchmark duplicates the intent of benchmark 1.A.1.f., above. The term "border" prices could be omitted: if trade is free, then it will be at border prices. The intention of the benchmark is that there should be no restrictions of any kind on cotton imports except phytosanitary requirements for protecting Egypt's cotton production system. Tariffs are generally not the subject of this benchmark, unless they are prohibitive.

### **1.3 Sources of Information**



The consultants conducted in-depth interviews with ginner, domestic cotton traders, exporters, importers and prospective importers of lint cotton, including traders and spinners, and spinning and weaving companies. The consultants also contacted key public officials at ALCOTEXA, CATGO, the Textile Consolidation Fund, one holding company, the Customs Service, the MTS and the MALR (especially the Plant Quarantine Department).

A complete list of cotton subsector/textile industry contacts is provided in Annex 3. Note that the consultants' contacted a largely different set of participants than the MVE/CSPP team of Holtzman, Krenz, Abdul-Rahim Ismael and Adel Moustafa, who began their interviews earlier (in March 1997). Several informants were interviewed by both teams.

## **1.4 Accomplishment of Benchmarks<sup>1</sup>**

**1.A.1.f. Benchmark fully accomplished.** Private companies are free to import lint cotton. Public sector spinners face unofficial barriers to importing lint, due to the surplus stocks of cotton held by public trading companies who are part of the same group of cotton and textile industry holding companies. Once these stocks are used (domestically or exported), public spinning companies will likely be allowed to search out the lowest cost source of supply, which could be imports of short-staple lint cotton in some years.

Although the holding companies are not permitting imports of lint cotton by public spinning companies this season, this is essentially an *instruction* or suggestion rather than a hard *interdiction*. Furthermore, the textile industry appears to agree with this instruction due to surplus lint cotton stocks as a carryover from the last season.

**1.A.2.b. Benchmark partially accomplished.** Late announcement of private exporters' lint purchase prices (as minimum export prices less fobbing costs of \$.10/lb.) limited their export contracting until late in the marketing season. The public sector trading companies dominated export of cotton lint for another season.

**1.A.4 Benchmark partially accomplished.** There are still de facto minimum export prices. It is important to remember that the liberalization/privatization process is a continuum stretching from complete public sector control of an industry to full liberalization and competitive, open market pricing and allocation. In a transitional period of textile industry privatization, pricing of textile products for the domestic and export markets may well have to be done by industry committees, under TCF guidance, until affiliated companies upgrade their management, accounting and marketing systems and learn to operate competitively as an independent business units. In the meantime, what may appear to be collusive industry pricing of tradeable outputs might be tolerated for a short period (2-3 years) while public companies are restructured, strengthened and made viable independent operating units, divested or closed down. Fear of dumping charges and fines is another reason to retain minimum export prices temporarily, especially when cost accounting is so difficult in public sector companies. In the final

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<sup>1</sup> Note that this write-up, done by John Holtzman of MVE, was completed and added after the consultants' draft report was submitted.

analysis, this particular benchmark could be considered premature when one takes the broader view of textile industry liberalization as a complex restructuring and privatization process where sequencing of adjustment measures and policy preconditions is of paramount importance.

**I.A.5 Benchmark fully accomplished** The GOE has accomplished the spirit of this benchmark in allowing private sector imports of cotton lint. In this year (1996/97) of abundant domestic stocks, however, only Syrian and Sudanese cotton have been imported by private firms. To fully satisfy the letter of this benchmark, the GOE (MALR in particular) may need to amend the earlier restrictive Orders 54/1967 and 55/1967, based upon the 1966 law.

## **2. COTTON TRADE POLICIES RECENT HISTORY SINCE 1993/94**

Cotton is considered the most important cash and export crop in Egypt. Because of its importance to the Egyptian economy, the Government for more than 30 years and until late eighties monopolized all aspects related to cotton production, trading and processing, organizing seed cotton obligatory deliveries, distributing lint cotton between exports and local industry and pricing cotton among marketing channels. The government has the only authority over cotton pricing, intending to secure and provide raw material at low prices to public sector industries and to finance industrial growth and government revenues by implicit taxation of agriculture. The government intervention in economic activities during this period of time and its pricing policy resulted in price distortion and deficiency in cotton sector and agriculture activities.

In 1986, the government started to implement a program of economic reform in agriculture. Price controls were eliminated for all crops except cotton, sugarcane and rice. Price control on rice was eliminated in 1991. Sugarcane is the only crop that is still under government control. The government started liberalizing the marketing of cotton in 1993/94.

In 1994 three laws were passed to liberalize the cotton trade. Law 141 established the cotton spot market in Mina El Bassal in Alexandria. Law 210 permits cotton producers to sell cotton to licensed traders. Law 211 defines the guidelines for the Cotton Exporters Association. Ministerial decrees were issued in 1994 to establish committees to begin the implementation of these laws. Ministerial decrees were also issued which provided the by-laws to implement the three laws.

According to Law 211, cotton exporting is limited to members of ALCOTEXA, and all export transactions must be approved by this Association.

The GOE permits the importation of cotton lint and yarn but still bans the importation of textiles and ready made garments to protect local industry.

No taxes on exports of cotton lint and yarn are in force. The government is trying to improve export incentives and eliminate any constraints.

Although the spot market law No. 141 was issued in 1994, no lint cotton has been traded in the bourse until now, as the spot market has had no price setting function to perform. Cotton export prices have been set by ALCOTEXA, and the cotton floor prices have been set by the government in all three seasons of 1994/95, 1995/96 and 1996/97. The spot market is not expected to operate next season.

### 3. NON-PHYTOSANITARY RESTRICTIONS (BANS, QUOTAS) ON LINT COTTON IMPORTS (*Benchmark 1.A.1.f*)

Importation of cotton lint in commercial quantities was prohibited, by Ministry of Agriculture Order 54/1967, from 1967 to 1995. Until 1994/95, cotton could only be imported by the GOE for governmental and public sector companies. The GOE gave itself an exception to the Order.

Starting in 1995/96, the door was open to private sector companies to import cotton lint. It was expected that the spinning companies would use this to expand the use of the low price imported cotton lint to meet its needs. Only small quantities of about 400,000 kentars (20,000 mt) were imported in 1995/96.

Early in 1996 the MPE relaxed the requirement that all imported cotton be used in non-cotton producing areas.

In the spring of 1996 the GOE announced a policy<sup>2</sup> to facilitate imports of cotton from producing countries throughout the world if phytosanitary conditions are met. Importation from 18 countries was considered. Investigators were sent to these countries to inquire about availability of cotton, fiber properties and prices. Nine countries were eliminated for different reasons. Samples from seven approved countries were imported during the summer of 1996. In 1995/96 season 400,000 kentars had been imported, out of it about 52,000 kentars were imported from Syria and Sudan by three private companies.

Imports of lint cotton were continued in 1996/97 from Sudan with an amount of 60,000 kentars by one private sector company. The imported quantity was very small last season as the domestic cotton supplies were adequate and the differences between costs of import and prices of the domestic cotton varieties were not attractive enough to import cotton..

The following is a comparison between price of Giza 75 and the costs of importing American Pima G.3, and between the price of Giza 80 or Giza 83 and the American Upland "Calif/Ariz. Midd 1-3/32", and between Giza 80 or 83 and imported cotton from Sudan, Based on the prices of September, 13, 1996:

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<sup>2</sup>A letter from Deputy Prime Minister, MALR to MTS on April, 23, 1996, concerning the decision of the Cabinet of March 10, 1996, to facilitate cotton import from any country after fumigating it in the port of export, to allow achieving the targets of Egyptian cotton export, to satisfy the needs of the local spinning industry and to ensure the economic use of cotton.

The MALR agreed on the following:

- \* allowing the importation of lint cotton directly from the country of origin,
- \* permitting a normal fumigation in the country of origin, if they have no facility for fumigation under vacuum. In this case a second vacuum fumigation is required at the port of entry.
- \* allow the processing of this imported cotton in all Egyptian mills except in Mahalla El Kobra.
- \* the loading, unloading and processing of these cottons will be under the supervision of the agricultural quarantine department.
- \* all items of the agricultural quarantine law will be applied.

Price of Pima G.3 was 116.5 cents/lb CIF North Europe + fumigation costs of 2.6 cents/lb<sup>3</sup> + 8% import duties (5% import duty + 3% service fees). This makes the costs of importing one kantar of Pima equal to LE 481.

Price of Giza 75 grade G/FG, at the same time, was 110 cents/lb - fob costs of 16 cents/lb (for Giza 75) + LE 4/kantar commission for the cotton trading company (public sector) for allocating the cotton. This makes the price of Giza 75 equal to 356,3 LE/kantar, which is 74% of that of the Pima.

Comparing the price of Giza 80 or Giza 83 with the imported cotton from Sudan gives the following:

Price of Giza 80 or Giza 83 grade G/FG: Export price of Giza 80 or Giza 83 is 100 cents/lb - fob costs of 17 cents/lb (for Giza 80 and Giza 83) + commission of LE 4/kantar, makes the price of Giza 80 or Giza 83 equal to LE 325/kantar.

Imported Cotton from Sudan: Purchase price LE 250/kantar (according to information from Giza Spinning Company) + fumigation costs of 14 LE/kantar + 8% import custom duty and fees. This makes the costs of importing one kantar of cotton from Sudan equal to about 284 LE/kantar, which is about 87% of the price of Giza 80 or Giza 83 (without calculating the additional costs of port-to-port shipment and the hidden costs until the imported cotton reaches the mill gate, and without taking into consideration the differences in qualities of cotton, as the Sudanese cotton is of lower quality comparing to the Egyptian LS cotton).

Imported American Upland cotton: Price CIF North Europe was 80.5 cents/lb + fumigation costs of 2.6 cents/lb + 8% import duties. This makes the costs of importing one kantar of Upland cotton equal to 335 LE/kt, which is 2.7% higher than the price of Giza 80 or Giza 83 and cheaper than the price of Giza 75 by about 6%.

The estimated costs of importing cotton have not taken into consideration the other additional costs required to transport the imported cotton to spinning mill's gate and port-to-port shipment, costs of bank interest, and other hidden costs.

Public sector companies are not permitted in 1996/97 to import cotton because of the abundant inventory.

Market investigation showed that lint cotton and yarn can be imported into Egypt, while it is not allowed to import textiles and ready made garments. Special exemption could be given for the importation of textiles that could be imported only for processing and re-exportation, as fabrics can be imported, from country of origin, into the country, under the temporary admissions system and the duty drawback system.

Discussions with MALR officials show that through phytosanitary regulations the GOE is protecting

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<sup>3</sup>See L. Parks et al. Phytosanitary Regulation of Cotton Lint Imports into Egypt, APRP, RDI Unit and CSPP, May 1997.

the Egyptian cotton from accidental importation of pests and unknown diseases to Egypt such as the boll weevil. Importation of lint cotton is free from any country according to MALR phytosanitary regulations with no quotas and could be processed in any spinning mill in the country. Previously, only the spinning mills located outside the cotton producing areas were allowed to use imported cotton.

The tariff on imported lint is 5% in addition to 3% service fees.

Table 1 shows the quantities of lint imported during 1974/75 - 1996/97 in metric kentars.

**Table 1: Quantities of Lint Imported During 1974/75-1996/97**

(Metric Kentars)

Season	American cotton	Sudanese cotton	Total
1974/75	90000	90000	
1975/76	-		-
1976/77	495000		495000
1977/78	265500		265500
1978/79	436500		436500
1979/80 to 1983/84,	-	-	-
1984/85	616056		616056
1985/86	591000	25815	616815
1986/87	296461		296461
1987/88	609423	17487	626910
1988/89	613384		613384
1989/90	1137775	8015	1145790
1990/91	1029794		1029794
1991/92 730000	1260000		1260000
1992/93	730000		730000
1993/94	-		-
1994/95	800000		800000
1995/96	400000		400000
1996/97	-	60000*	60000

\* according to market investigations.

Source: *Egyptian Cotton Gazette*, No. 108, April 1997

Cotton imports mainly came from U.S.A., except for a small quantities from the Sudan in 1985/86, 1987/88, 1989/90 and 1996/97, as shown in the table.

During 1979/80 - 1983/84 Egyptian cotton production was relatively high (annual average of 9.48 mk) and stocks increased to reach an average of 3.5 million metric kentars. Therefore, there were no cotton imports during this period of time.

Since 1984/85, witnessed the downward trend of the Egyptian cotton production which reached the lowest levels during the three successive years 1989/90 - 1991/92, cotton lint was imported and reached a maximum of 1,260 thousand kentars in 1991/92. From 1984/85 to 1992/93, an average of about 765 thousand kentars were imported from the U.S.A.

#### **4. GOE MARKET RESTRICTIONS ON IMPORTING AND EXPORTING OF LINT COTTON** (*Benchmark I.A.2.b*)

Since 1961, and for more than 30 years, the GOE has controlled all aspects of the cotton industry from farm to textile production to foreign trade. Until the end of 1995/96 exports and imports of lint cotton were monopolized and conducted by the government or the public sector companies.

Liberalization of the cotton production subsector was initiated in 1993/94 and continued in 1994 by issuing Law No. 141/1994 that established the cotton spot market in Mina El Bassal in Alexandria, Law 210/1994 that permits cotton producers to sell cotton to licensed traders, and Law 211 that defines the guidelines for the Cotton Exporters Association. These three laws were issued on June 18, 1994.

Ministerial decrees of the MEFT Nos. 354, 355, 356 of 1994 were issued on 4 August 1994 to establish committees to begin the implementation of these laws. Ministerial decrees Nos. 389, 388, 507 of 1994 was issued in late 1996 to provide the by-laws required to implement the three laws.

The delay in issuing the decrees and by-laws, especially those of ALCOTEXA (decree No. 507/95 of MEFT), denied the private dealers the right to export cotton during 1994/95.

According to Law No. 210, the first article stipulates that cotton traders are free to buy and sell seed cotton, lint cotton and cotton by-products in the domestic market according to conditions, specifications and procedures to be defined in the by-laws. Article (4) of section II determines the following: It is totally banned that any natural or legal person practice the profession of domestic cotton trade unless his name is registered in the special registry to be prepared for this purpose by the concerned Minister. Any applicant for registration on this list should have the following requirements:

- A. Should be a citizen of the Arab Republic of Egypt.
- B. Should have full legal capacity.
- C. Should not have been previously sentenced to a freedom-restricting penalty by a court of law for a crime touching his personal integrity and probity, nor should he have been formerly declared bankrupt, unless he has been duly reinstated.
- D. Must have a licensed place of business for trading cotton in Egypt and should submit a copy of his commercial registration card with the application for membership.
- E. His declared working capital should not be less than LE 30,000.
- F. He should also submit to the general committee in Alexandria a cash deposit amounting to LE 3,000.

According to Law No 211, cotton exporting is limited to members of ALCOTEXA. Exporters should be registered at the Egyptian Cotton Exporters Association according to the Law. The first



article of the law pinpoints that it is totally prohibited that any person transact any cotton export trade without having a membership of the cotton export Association. According to article 3 of the law, the applicant has to be a member of the Mina El Bassal Bourse, with a working capital of not less than LE 500,000 and should have a commercial registration card. The managing staff of the exporting company should possess at least five years experience in the field of cotton trade. The member should commit to pay the following<sup>4</sup>:

- a) A registration fee, on the approval at a rate of one per cent of the minimum capital required for membership.
- b) An annual subscription at the rate of one per thousand of his capital at a minimum of LE 5,000.
- c) A fee that does not exceed LE 5 for each exported cotton bale as charges of the special services rendered by the Association for its members.

Asking ALCOTEXA and some members of the Association about conditions and fees, they gave us the same aforementioned conditions and fees.

On August 19, 1996 the Prime Minister issued Decree No. 2322/1996 to establish a committee headed by the Deputy Prime Minister, Minister of Agriculture and Land Reclamation, and consisting of Ministers of MPE, MTS, MFin, MIMW and the Governor of Central Bank of Egypt, to put the regulations and policies that concern with the import, export and pricing of cotton in sphere of the issued laws that meets the common good, taking into consideration the 1995/96 cotton policies.

When interviewing private cotton traders in April and May 1997, we asked about any constraints facing them in exporting lint cotton. They said that they have to go through a cotton allocation committee, headed by the holding company, to secure cotton for export.

Most interviewed cotton traders agreed that the cotton trade is legally liberalized. The government interference in cotton prices ( the high floor prices and the fixation of the minimum export prices) does constrain the participation and the performance of the private sector in the internal and external trade of cotton, and most of them are in favor of free market prices.

Officials of the MTS said that any trader has the choice and freedom to buy cotton from any buyer. Cotton exporters and spinners are purchasing the cotton lint, from the holding company, at the export price minus fob cost. They added that the Ministry is encouraging export and in the coming season the government will facilitate the participation of the private sector in the cotton trade and there will be better regulations for exporters. The main problem facing exporters is the high floor prices.

Importation of cotton is subject to very close scrutiny by the MALR from the standpoint of phytosanitary regulations. For many years all imported cotton was restricted to California, Arizona and to Sudan. and the MALR required that the imported cotton could be used only in spinning mills located

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<sup>4</sup> All these fees and subscription compose the sources of ALCOTEXA's revenues.

outside of the cotton producing areas. Until 1994/95 all imported cotton was contracted for by the government or by the public sector companies.

In March 1996 the GOE announced a policy to facilitate imports of cotton from producing countries throughout the world if phytosanitary conditions are met, and relaxed the requirement that all imported cotton be used in non-cotton producing areas. Importation of trial shipments from 18 countries were considered. In 1996 a private company imported 600 tons of cotton from Syria, a second private company imported 10,000 kentars from Sudan, and a third private company imported 5,000 bales from Sudan

In 1996/97 season, due to the abundant supply of Egyptian cotton and the problem of cotton carry-over, public sector companies found no need to import cotton for the 1996/97 season. All domestic mill requirements were covered by Egyptian cottons. Also private sector companies were not interested in importing cotton this season, since the domestic supplies were adequate and the price differences between the imported cotton and the domestic cotton were not attractive enough to import cotton<sup>5</sup>. In this season some private companies imported small quantities of cotton from Syria and Sudan.

The government regulation on imports of lint cotton have finally been relaxed. A trader or spinning mill can have a license to import cotton, but spinners will import cotton only if costs of import are less than domestic prices.

Interviewed cotton traders in April and May 1997 were asked about any constraints facing them in importing lint cotton. They said importing cotton depends upon prices and costs and trash content. In this season most of the spinners prefer Giza 80 and Giza 83 because of their suitability for the yarn count they are producing. They are also relatively cheap. Cotton traders and spinners said that they are free to import lint cotton from any country they want to, if it meets the MALR regulations. There are no governmental market restrictions on importing lint cotton, except they have to get a license for that from the Ministry.

Interviews show that some of the traders and spinners do not have enough information about the new sources and regulations of importing cotton. MALR officials say that phytosanitary procedures are essential for any country that is a major producer and exporter of cotton. Pest infestation could potentially devastate Egypt's cotton crop.

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<sup>5</sup> A comparison between prices of Egyptian cotton and imported cotton is given on pp 11 - 12..

## **5. MINIMUM EXPORT PRICES FOR YARN & WOVEN FABRICS** (*Benchmark I.A.4*)

Setting minimum export prices for yarn and woven fabric is a main function of the Textile Consolidation Fund (TCF), which was created by Law 251 of 1953 as a state organization to address problems facing the private industry. The primary broad objectives of the fund were to stabilize and support export prices and provide promotional assistance to the industry (e.g., control, training, technical assistance).

When TCF started in 1953, they charged 6% of the value of all the cotton which went into the spinning mills. In 1983, they stopped collecting the 6% and since then they have never been supported by government funds and have been financially independent. TCF collects nominal fees for testing of all textiles and for other services. Export subsidies for yarn and fabrics were eliminated in 1984.

TCF administers the export quotas to the EU and USA. It certifies approval for quotas. According to the WTO regulations these quotas will be phased out by the year 2005. TCF inspects all textile exports and stamps them with their approval. This eliminates conflicts over quality.

The main functions of TCF are as follows:

- \* To establish minimum export prices for cotton yarn and most woven fabrics.
- \* To apply industry standards through quality control and testing.
- \* To represent Egypt's industry in international conventions.
- \* To collect, compile, and disseminate industry data.

The board of TCF consists of 7 members representing the weaving and textile companies, elected through the Chamber of Textile Industries for two years, headed by an elected Chairman. In addition to the above-mentioned members, another 5 members are appointed by the GOE representing the following related governmental institutions:

1. Chairman of the Industrial Control Association
2. Chairman of the Internal Trade Sector, MTS
3. Chairman of the Holding Company of Cotton and International Trade
4. Deputy Director of the Cotton Research Institute
5. Chairman of the Foreign Trade Sector, MTS

The minimum export prices of cotton yarn and cotton fabric are set by the Commercial Committee, whose members are chosen by the Board of the TCF. The Commercial Committee consists of the Chairmen of the three Holding Companies and the Chairmen of 11 Spinning and Weaving Companies<sup>6</sup>, and it is headed by the Chairman of the Holding Company for Spinning & Weaving & Ready-Made Cloth.

The minimum export prices of cotton yarn and fabric set by TCF are applicable for all exporters of the public sector and the private sector for each count of yarn and each type of woven fabric.

Minimum prices are normally established, updated and revised regularly and announced twice a year in March and September on the basis of changes in production costs reported by companies and the state of domestic and international markets. At present the prices for export and the domestic prices are the same. TCF officials said that the system of minimum prices protects the smaller producer and helps to avoid charges of dumping.

Prices for export of knitted fabrics and ready-made garments produced by the private sector are free and not regulated. A minimum price is set for garment products exported by public mills.

The following table gives the total exports of cotton yarn and cotton fabric, blended and synthetic fabrics in 1994, 1995 and 1996

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<sup>6</sup>The 11 companies are:

1. Misr Spinning & Weaving Company, Mahalla El Kobra
2. Misr Shebin El Kom Spinning & Weaving Co.
3. Misr Fine Spinning & Weaving Co., Kafr El Dawar
4. Uniarab Spinning & Weaving Co., Alex.
5. Alexandria Spinning & Weaving Co., Alex.
6. Siuf Spinning & Weaving Co., Alex.
7. Nasr Wool & Selected Textile Co., STIA, Alex.
8. Damietta Spinning & Weaving Co., Damietta
9. Misr Iran Spinning & Weaving Co.,
10. El Ameria Spinning & Weaving Co., Alex.
11. Delta Spinning & Weaving Co., Tanta

**Table 2: Total Exports of Cotton Yarn and Cotton Fabric, Blended and Synthetic Fabrics in 1994, 1995 and 1996**

Items	1994		1995		1996	
	Tons	LE 1000	Tons	LE 1000	Tons	LE 1000
<b>Cotton Yarn &amp; Cotton Fabrics</b>						
Cotton Yarn	93332	1131105	63224	1007442	41194	656184
Woven Cloth	28024	371124	19377	307645	17205	255768
Knit Fabric	12325	433133	14423	527022	17100	645154
Towels	2185	38762	2737	53399	2782	55421
RMGs	10268	396413	12900	492347	13446	522804
All Other	7499	109450	10879	175161	9744	168541
Total Cotton	153633	2479987	123540	2563016	101471	2303872
<b>Synthetic Yarn and Fabrics</b>						
Fibers & Yarn	1252	10349	411	4552	1782	15055
Synth. woven Fabric.	11	453	15	296	31	1460
RMGs	1494	36634	2266	59224	3592	83271
Total Synth.	2757	47436	2692	64072	5405	99786
<b>Blended Yarn and Fabric</b>						
Blended Yarns	17407	172873	7803	99994	6471	70637
Blended Fabrics	3267	51474	4525	76122	3784	61256
RMGs & Other	30	997	40	1605	411	14461
Total Blended	20704	225344	12368	177721	10666	146353
<b>Grand Total</b>	<b>177094</b>	<b>2752767</b>	<b>138600</b>	<b>2804809</b>	<b>117542</b>	<b>2550012</b>

Source: Textile Consolidation Fund

Exported quantities have declined from 1994 to 1996 for cotton yarn (56%) and fabric (39%), but increased for knit fabric (39%), towels (27%) and RMGs (31%). Overall, total cotton exports decreased 34%, although nominal export revenue dropped only 7%.

The spinning and textile industry consists of :

\* 25 public sector textile companies under three holding companies, out of which 19 spin cotton yarn and 20 weave cotton fabric.

\* 2 investment companies, Misr-Iran Co. which is owned by a public bank, two public sector S. & W. companies and the Government of Iran. The other company is Misr- Ameria Co. owned by a public commercial bank. Misr-Iran spins cotton yarn only while Misr-Ameria spins, weaves and produces RMGs.

\* Another small private company (SEKAM) produces organic cotton and gins it in a public sector gin, and then spins and manufactures it in its private mill. It produces RMGs, using pure organic cotton, for export and for the local market.

\* Only one private sector spinning company in Giza spins yarn, makes knit fabric with most of the yarn it produces, and makes garments with most of this fabric which are mostly exported.

\* There is a large number of private fabric companies in Egypt (about 2000), none of which spin cotton yarn. Many spin synthetic yarn, viscose and polyester. These are small companies.

Most of the public sector companies have suffered financial deterioration and have accumulated large debts. Many of these companies are becoming more oriented towards producing only under contract.

There is no significant private sector in spinning, as the profit margins are not attractive to the private sector. Raw material costs contributes more than 60% of the total costs, while internationally it contributes about 45-50%. There is only one private sector company that spins yarn from cotton, that is Giza Spinning, Weaving, Dying and Finishing Company.

The private sector concentrates on weaving and garment making. About 50% of the woven fabric and about 80% of the RMGs is produced by private sector companies.

Purchasing prices of lint to the domestic spinning mills in 1996/97 are estimated at 12% - 20% below those of the previous season. In 1996/97 spinning mills are paying the export prices minus the fob costs that range between 14 - 17 cents/lb according to variety. This makes the current price of Giza 75 (grade G/FG) about 357 LE/lint kantar<sup>7</sup>, which is 19.1% below the price of Giza 75 of the previous season (in 1995/96 spinning mills paid 441 LE/lint kantar of Giza 75). As for Giza 80 or Giza 83 the price in the 1996/97 season amounts to 325 LE/lint kantar, which is 11.5% below the price of 1995/96 (367 LE/lint kantar)

Egyptian exports of yarn, cotton fabric and RMGs in the first quarter of 1997 were about 20% above the 1996 level. The Chairman of the Holding Company for Spinning & Weaving and Ready Made Clothes announced<sup>8</sup> that exports of textile products in the first three months of 1997 increased by 30.8% compared to exports during the same period of time last year, due to an agreement made among the producing companies to reduce the prices by 6%. Although this action reduces the profit margin of the companies, it increased exports. This shows that fixing the export prices by TCF could influence the exports of fabrics.

TCF reported that 40% of textile output is exported, while the domestic market adsorbs the other 60%.

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<sup>7</sup>Detailed calculations are given on page 11. Concerning the lint prices of 1995/97, review: Krenz, R., *Liberalization of Cotton Marketing in Egypt, 1993-97*, GTZ, CSPP, p. 14

<sup>8</sup>*Al Ahram* of May, 18, 1997

Some private sector managers complained that the minimum export price system hinders their marketing operations, as they could exceed this price with higher quality products or through favorable payment terms. Any price setting is not a part of free market system. This system appears to be an attempt to protect high cost operations and to help avoid dumping charges by importers.

This indicates that the price system for cotton fabrics in Egypt is non-functional. Improving the price signals is necessary for liberalizing the cotton market, for improving the efficiency of the industry, and for raising exports of cotton fabrics.

There are no taxes or fees on exports of cotton products. Polyester and textile products that are at least half polyester are subject to duties. Poly yarn faces duties of 15-30% and poly fabrics are subject to 45% import duties.

The following table gives the custom duties and taxes on the imports of cotton lint and cotton fabrics.

**Table 3: Custom Duties and Taxes on the Imports of Cotton Lint and Cotton Fabrics**

Product	Tariff	Services Fees	Sales Taxes
Lint Cotton	5%	3%	-
Cotton Yarn	30%	3%	10%
Cotton Fabrics	45%	5%	10%

Source: Customs Department, Unified Tables for Customs Tariffs and Sales Taxes.

Most of the interviewed cotton, yarn and textile private sector exporters are in favor of free market prices. Most of the public sector companies prefer the present system of price setting.

The following table gives the imported quantities and values of yarn and fabric in 1993/94 - 1995/96.

**Table 4: Imported Quantities and Values of Yarn and Fabric in 1993/94 - 1995/96**

Items	1993/94		1994/95		1995/96	
	Tons	LE 000	Tons	LE 000	Tons	LE 000
Cotton Yarn	3001	27612	5902	74944	12703	170959
Wool Yarn	337	3946	112	3579	40	1717
Flax Yarn	3	128			231	5588
Silk Yarn	8	809	39	4046	10	651
Synthetic Yarn	51325	311069			44714	360312
Cotton Textile	7244	123485	6792	123759	4954	106081
Wool Textile	392	17804	340	23267	267	15794
Silk Textile	1315	23491	11	730	17	1289

Source: CAPMAS



## **6. PERMIT PRIVATE TRADERS TO IMPORT COTTON AT BORDER PRICES, SUBJECT TO PHYTOSANITARY RESTRICTIONS (*Benchmark 1.A.5*)**

On July 1993 the MEFT issued decree No. 288 whereby the import ban list was reduced from 78 commodities to three banned items. These items are slaughtered chicken and parts, textiles and garments. The GOE still bans the importation of textile and ready made garments to protect the local industry.

Lint cotton imports are not banned. However, the private sector is required to obtain a license from the government to import various agricultural commodities.

Cotton imports into Egypt, which began in 1974, have been subject to very close scrutiny by the MALR from the stand point of phytosanitary regulations.

Until 1994/95 all imported cotton was contracted for by the Government or by the public sector companies.

For many years and until 1995/96 all imported cotton was restricted to California and Arizona or Sudan. The MALR required that the imported cotton could be used only in spinning mills located outside of the cotton producing areas. Stringent phytosanitary procedures are essential for any country that is a major importer or exporter of cotton. Pest infestation could potentially devastate Egypt's cotton crop. Phytosanitary and health regulations have become an impediment to trade.

Early in 1996 the MPE relaxed the requirement that all imported cotton be used in non-cotton producing areas. Previously, only the spinning mills located outside the cotton producing areas were allowed to use imported cotton.

In the spring of 1996 the GOE announced a policy to facilitate imports of cotton from producing countries throughout the world if phytosanitary conditions are met. Importation from 18 countries were considered in this year.

In 1996/97 due to the abundant supply of Egyptian cotton, there was no need to import cotton for 1996/97 season. All domestic mill requirements were covered by Egyptian cottons. The private sector companies were not interested in importing cotton, as the differences between prices of imported cotton and prices of the domestic cotton were not attractive enough to import cotton.

In addition to the MALR license for importing cotton, permission from the Holding company is required for the public sector company to import lint cotton. Other than that, there are no regulations or restrictions against importing lint cotton.

The government regulation on imports of lint cotton have finally been relaxed. Any trader or spinning mill can obtain a license to import cotton. However traders and spinners said they will import cotton if the cost of imports is less than domestic cotton prices.

Custom charges for importing lint cotton are 5% for custom duties and 3% service fees. Cotton traders said that importation of lint cotton is permitted under the permission of the MALR. However,

interviews with traders gave the impression that most of them have had no experience with cotton importation, and they have little information about the new sources of imported cotton. Also, small importers have to buy with others to assemble a large port-to-port shipment to reduce import costs, and to cover the costs of paying for GOE officials to observe the fumigation process in the exporting country.

MALR officials said that phytosanitary procedures are essential for any country that is a major producer and exporter of cotton. Pest infestation could potentially devastate Egypt's cotton crop.

Interviewed spinners said they are free to import lint cotton from any country they want if it meets the MALR regulations, but they prefer to use Egyptian cottons like Giza 80 or Giza 83, as Egyptian cottons this year are priced relatively low compared to the previous season.

Interviews with cotton trading companies showed that some have difficulties with fumigation at the source country if they have no fumigation facilities, such as the CIS countries which have no ports and fumigation facilities.

## **ANNEXES**

## **ANNEX A: The Relevant Legislation and Decrees**

### The Relevant Legislation

Important laws, decrees and releases issued and announced and related to the cotton sector are given in the following table:

Date	No. of Issue	Source of Issue	Principal Components
Oct. 1996	Draft Law	President of ARE	<p>Concerning the Establishment of the Cotton Stabilization Fund. According to the Draft Law that was furnished to the People's Assembly for approval, the fund will be financed by the following sources:</p> <ul style="list-style-type: none"> <li>* Annual subscriptions of LE 10/fd for seed production to be collected (from cotton growers).</li> <li>* Annual subscription of 3% of the total value of ginned cottons.</li> <li>* In case of increasing the export prices of lint over its equivalent the floor prices, 50 % of this increase in prices will be collected to the benefit of the fund.</li> <li>* 3% of the total value of the imported cottons will be collected from the importing company for the benefit of the fund.</li> <li>* 3% Lievy from the value of the imported yarn.</li> <li>* The surplus of the sales of cotton seed that amounts LE 60 million.</li> <li>* 5% of the value of tradable seeds collected by the gins from oil extraction companies.</li> <li>* Funds that may be allocated by the government to achieve the fund objectives.</li> <li>* Contributions, donations, wills and grants given to the Fund.</li> </ul>
Sept. 24, 1996	Decree No 382	MTS	Amending Item 34 of Decree 388/1994 (of the By-Law 141) and says that dealing cotton among registered traders in the bourse is only for transactions done inside Alexandria through registered Brokers in the Mina El Bassal Bourse.
Sept. 24, 1996	Decree No 383	MTS	Establishing a committee to formulate policies for the allocation of cotton of 1996/97 to domestic mills and export. The committee consists of El Masekh (CATGO), Abu Elkomshan (MTS) and Leheta (Alex. Commercial Co.)

<b>Date</b>	<b>No. of Issue</b>	<b>Source of Issue</b>	<b>Principal Components</b>
Sept. 18, 1996	Decree No. 180	MIMW	Obligate the local producers to follow the Egyptian Standard Specifications. The Decree forces the local producers to use an Identification Card or Data Card that contains the exact specifications of the product. The Decree gave 6 months starting from the date of issue for implementation.
Aug. 29, 1996	Release No. 22	CATGO	Determines CATGO's fee of LE 8 for each sample.
Aug. 24, 1996	Decree No. 2322	The Prime Minister	Concerning the establishment of a high committee to deal with cotton exporting, importing and pricing, and consists of Deputy Prime Minister of MALR as chairman and the ministers of MPE, MTS, MFI, MIMW and the Governor of the Central Bank of Egypt as members.
Aug. 7, 1996	Decree No. 908	MALR	Concerning the cotton marketing system during the 1996/97 cotton season.
Aug. 6, 1996	Decree No. 308	MTS	Concerning the elimination of Decree 457/1995 of the MEFT .
May 25, 1996	Decree No. 193	MTS	Determines that it is forbidden to buy or sell any seed cotton or lint cotton to the domestic spinning mills without CATGO's Certificate.
April 14, 1996	Decree No. 133	MTS	Concerning setting the floor price for seed cotton during the 1996/97 season.
July 30, 1995	Decree No. 457	MEFT	Concerning limiting storage of ginned lint cotton, for no more than 30 days after ginning.
Aug. 28, 1995	Decree No. 549	MEFT	Concerning setting the floor price for seed cotton during the 1995/96 season.
1995	Decree No. 338	MPE	Concerns the establishment of a committee to secure the requirements of the public sector spinning and weaving companies from the Egyptian cottons through the trading and ginning companies.
Aug. 28, 1994	Decree No. 389	MEFT	Established the Regulations of the Cotton Trade Law. Details are given on page 14.

<b>Date</b>	<b>No. of Issue</b>	<b>Source of Issue</b>	<b>Principal Components</b>
Aug. 28, 1994	Decree No. 388	MEFT	Established the Regulations of the Spot Market Law. Details are given on page 14.
Aug. 11, 1994	Decree No. 364	MEFT	The first decree of the cotton floor prices for the crop season 1994/95.
June 17, 1994	Act No. 211	President of ARE	Concerning issuance of a law of the general rules and regulations for the Cotton Exporters Union.
June 17, 1994	Act No. 210	President of ARE	Concerning issuance of a law organizing domestic cotton trade.
May 31, 1994	Act No. 141	President of ARE	Concerning the regulations of the establishment of Cotton Spot Market, Mina El Bassal Bourse.
Sept. 1, 1993	Decree No. 344	MEFT	Concerning setting the floor price for seed cotton for the 1995/96 season.
July 1993	Decree No. 288	MEFT	The import ban list was reduced from 78 commodities to three banned items: slaughtered chicken and parts, textiles and garments.
Dec. 29, 1992	Decree No. 710	MEFT	Established a committee of representatives of all companies, organizations and Ministries involved in the cotton business to study and recommend the floor prices of cotton. The committee held meetings only in 1993.
1991	Decree No. 419	MEFT	On controlling certain imported commodities.
July 9, 1967	Decree No. 55	MALR	Identifying the conditions required to license the importation of cotton parcels and cotton products.

## **ANNEX B: Sources of Information**



## REFERENCES

GTZ, Egyptian German Cotton Promotion Program, *Privatization of Cotton Marketing in Egypt, 1993 -1997*. By Ronald Krenz, May 1997.

APRP, RDI Unit and CSPP, *Phytosanitary Regulation of Cotton Lint Imports into Egypt*. By Parks L., E. Joseph, B. Oteifa and T. El-Sharkawy, Draft, May 13, 1997.

APRP, RDI Unit, *Liberalization and Privatization in the Cotton and Rize Subsectors: The Roadmap to Procedural and Regulatory Reform*. Submitted by Ruddy V. and M. Spence, March 1997.

GTZ, Egyptian German Cotton Promotion Program, *Study on Support Price Policy: Preparatory Study on Cotton Price Policy*. By Rashad El Saadany, February 1997.

USAID, APRP, *Monitoring and Verification Reports of Tranche VI and Tranche VII*, Cairo, 1995 - 1996.

USAID, *Assessment of Potential for Liberalization and Privatization of the Egypt Cotton Textile Subsector*. Prepared by Chemonics International, Cairo, July 1993.

## **OTHER SOURCES OF INFORMATION**

Laws and Decrees issued by the following Ministries: MALR, MTS, MPE, MEFT, and MIMW. Dates, sources and topics of these Laws and Decrees are given in the table of pages 23 -25 in this report. Copies of Laws and Decrees are available.

Interview notes conducted through CSPP and MVE Unit Staff. List of dates of these interviews, names of companies and persons contacted is given on page 30.

Interview notes conducted by the Authors of this Report. List of dates of these interviews, names of companies and persons contacted is given on page 31-32 of this report.

**List of Companies Visited by APRP & GTZ Staff  
(between March 10 and April 15, 1997)**

<b>Name of Company</b>	<b>Kind</b>	<b>Respondent</b>	<b>Date Of Interview</b>	<b>Interviewed By</b>
Port Said Trading Co.	PBS	Dr. Wagdy Hendy	March 10	RK,ARI,AM,JH
Eastern Co.	PBS	Emad Abou El Ela	March 11	ARI, AM
Al Ahly Co.	PRS	Moh Montasser	March 16	RK,ARI
Alcotan Co.& ALCOTEXA	PBS	Said Haggag	March 11	RK
Kahira Cotton Co.	PBS	Sayed Nasr	March 11	ARI
Int. Trade and Cotton Holding Co.	PBH C	Nabil Marsafawy	March 18	RK
Alexandria Commercial Co.	PBS	Adel Lehitta	March 18	ARI
Talaat Harb Co.	PRS	Abou Bakr Ghoniema	March 18	ARI
El-Nasr S & W. Co. "Chourbagi or Tricon"	PBS	Ibrahim Hegazi	March 23	ARI, RK, JH
Alam Abd El Azim Weaving Co.	PRS	Alam Abdil Azim	March 25	ARI, RK, JH
Dayem Tex Spinning & Weaving Company	PRS	Ahmed Hafez	March 27	ARI, RK, JH, AM, KS
Textile & Weaving Factory	PRS	Abdelwahab Sharkawy Deputy Ch. of Chamber of Coop. Assoc.of Textile factories	March 30	ARI, RK
Giza Spinning & Weaving Co.	PRS	M. Marzouk	April 2	ARI, RK
Misr-Helwan Spin & Weav. Co.	PBS	Hamad Fouda	March 26, 97	ARI, RK, JH
Misr Fine Spinning & Weaving at Kafr El Dawar	PBS	Moh. Hosam El Din Ibrahim	April 10, 97	ARI, RK, KS
El Nasr S. & W. Co. Mehalla El Kobra	PBS	Moh. El Shazly	April 12	ARI, RK

<b>Name of Company</b>	<b>Kind</b>	<b>Respondent</b>	<b>Date Of Interview</b>	<b>Interviewed By</b>
Misr S. &W. Co. Shebin El Kom	PBS	Moh Hosny Abdella	April 13	ARI
Unirab S&W Co.	PBS	Ali Ism. Khalifa	April 14	ARI, RK, JH
El Siuf S&W Co.	PBS	Moh El Sayed Salmin	April 14	ARI, RK, JH
National S&W Co.	PBS	Fawzy Salem	April 15	ARI, RK, JH
Alexandria S&W Co.	PBS	Refaat Helal	April 15	ARI, RK, JH

## **ANNEX C: Contacted Persons**

## **PERSONS CONTACTED**

- \* Mr. Mahmoud Ibrahim, Chairman of Textile Consolidation Fund, April 29, 1997.
- \* Dr. Ali Abdel Rahman, Ministry Advisor, MTS , May 6, 1997.
- \* Mr. Foad Nagib, Director of the Textile Products Department and Ali El Hawam, Head of the Domestic Trade Sector, MTS, May 6, 1997.
- \* Mr. Said El Kholy, Head of Governorate Agricultural Affairs, MALR, May 10, 1997.
- \* Mr. Mohamed El Sharkawi, Director General of Cotton, MTS, May 10, 1997.
- \* Mr. Said Abu El Komsan, Undersecretary of Foreign Trade, MTS, May 10, 1997
- \* Mr. Said Erfan Rashed, Director General, CATGO, Alexandria, May 12, 1997
- \* Mr. Refaat Helal, Chairman of Alexandria Spinning and Weaving Co., May 13, 1997
- \* Eng. Hend Kowaidy, Head of Commercial Sector TCF, May 28, 1997
- \* Mr. Yehia Helal, Consultant of Modern Nile Co., Former Chairman of ALCOTEXA, May 14, 1997.
- \* Mr. Ahmed El Masekh, Chairman of CATGO, Alexandria, May 13, 1997
- \* Mr. Said Hagag, Chairman of ALCOTEXA, and Mr. Ali Sharif the Director General of the Association, Alexandria, on May 13, 1997
- \* Mr. Amin Abaza, Chairman of Modern Nile Company, May 25, 1997
- \* Mr. Foad Leala, Director General of Marketing, Modern Nile Company, Cairo, May 14, 1997
- \* Dr. Taha El-Sharkawy, Undersecretary of State for Plant Quarantine, MALR, June 2, 1997
- \* Mr. Maged Marsouk, Chairman of Giza Spinning Company, May 26, 1997

**ANNEX D: A letter from Deputy Prime Minister, MALR to MTS**

**A letter from Deputy Prime Minister, MALR to MTS on April 23, 1996, concerning the decision of the Cabinet of March 10, 1996, to facilitate the importation of cotton from any country.**

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To : Dr. Ahmed El Goweily / Minister of Supply and Internal Trade

Reference to your letter No. 2024 dated 11/4/1996 regarding the decision of the Cabinet of March 10, 1996, to facilitate the importation of cotton from any country after preparing it in the ports, to allow achieving the targets of Egyptian cotton export, to satisfy the needs of the local spinning industry and to insure the economic use of cotton, to take advantage of the features of Egyptian cotton to accomplish the maximum revenue to the farmers.

Kindly be informed that there is no need to issue a ministerial decree for that, as it is not ordinary to issue a ministerial decree for importing any products. Also be informed that the Ministry of Agriculture approved the following:

- ◆ Permit the import of lint cotton directly from the country of origin.
- ◆ Permitting the ordinary fumigation in the country of origin, when the fumigation under vacuum is not available, but obliging the importer to make the fumigation under vacuum in the arrival port in Egypt.
- ◆ Permit the processing of this imported cotton in all the Egyptian mills except in Mahalla El Kobra.
- ◆ The loading, unloading and processing of these cottons will be under the supervision of the agriculture quarantine department.
- ◆ All items of the agriculture quarantine law will be applied on all steps.

Vice Prime Minister  
and Minister of Agriculture and Land Reclamation